

Message Text

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ACTION AID-59

INFO OCT-01 NEA-11 ISO-00 EB-08 OMB-01 L-03 AGRE-00
ABF-01 SS-15 SP-02 MMO-01 CIAE-00 INR-10 NSAE-00
DODE-00 SSO-00 NSCE-00 INRE-00 COME-00 /112 W
-----048556 140726Z /13
O 140619Z JUN 78
FM AMEMBASSY DACCA
TO SECSTATE WASHDC IMMEDIATE 9725

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PASS AID/ASIA

E.O. 11652: N/A
TAGS: EAID, EAGR, BG
SUBJECT: BANGLADESH TITLE III PROGRAM

REF: DACCA 3725

1. SOME TIME AGO I HAD ARRANGED TO HAVE A QUIET TALK OVER TEA AT MY RESIDENCE WITH FOOD SECRETARY L.R. KHAN, ONE OF BANGLADESH'S MOST COMPETENT CIVIL SERVANTS. BY CHANCE OUR MEETING LAST EVENING CAME AS CONSIDERATION IN WASHINGTON OF A TITLE III PROGRAM FOR BANGLADESH IS REACHING THE POINT OF DECISION. CONSEQUENTLY, WE DISCUSSED OUR OPEN MARKET SALES PROPOSAL AT SOME LENGTH. WHAT IMPRESSED ME THE MOST IN THIS DISCUSSION WAS THE EXTENT TO WHICH THE GOVERNMENT OF BANGLADESH HAS MADE OPEN MARKET SALES ITS OWN PROGRAM AND HOW IMPORTANT IT WAS THAT WE ON OUR SIDE NOW MOVE PROMPTLY TO APPROVE A PROPOSAL IN A FORM AND ON A SCHEDULE WHICH PUTS THE GOVERNMENT OF BANGLADESH IN THE BEST POSSIBLE POSITION TO CARRY IT OUT.

2. DURING OUR DISCUSSION, KHAN EMPHASIZED THREE POINTS, EACH OF WHICH APPEARED TO ME TO HAVE CON-
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SIDERABLE MERIT. FIRST, HE SAID HE BELIEVED IT IMPORTANT THAT THE TRIGGER PRICE NOT RPT NOT BE INCORPORATED IN THE FORMAL AGREEMENT. THE UNCERTAINTIES OF THE NEW PROGRAM ARGUE AGAINST SUCH RIGIDITY. INSTEAD, HE SAID, THE TRIGGER PRICE SHOULD BE AGREED UPON BY MUTUAL CONSULTATION. THIS SEEMS TO ME A REASONABLE PROPOSAL. WE CAN'T RUN THIS SYSTEM OUT OF WASHINGTON AND IF WE

CAN'T TRUST THE BDG TO WORK OUT WITH US HERE A PROPER TRIGGER PRICE, WE SHOULD NOT BE EMBARKING ON SUCH A COMPLEX PROPOSAL IN ANY EVENT.

3. KHAN'S SECOND PROPOSAL WAS THAT THE FIRST SHIPMENTS OF FOOD GRAINS SHOULD REACH BANGLADESH BEFORE THE END OF AUGUST SO THAT THE OPEN MARKET SALE PROGRAM COULD BEGIN IN THE COMING LEAN SEASON. HE SAID THAT THE YEAR END POSITION IN FOOD GRAINS WAS SOMEWHAT EASIER THAN EXPECTED BECAUSE OF LOW RATION OFFTAKES IN RECENT MONTHS AND SOME BORO CROP PROCUREMENT, BUT WHEAT STOCKS WERE QUITE LOW. IT WAS ESSENTIAL, THEREFORE, THAT TITLE III SHIPMENTS COME AS SOON AS POSSIBLE AND HE ESTIMATED THE EARLIEST WHICH COULD BE EXPECTED WOULD BE LATE AUGUST.

3. FINALLY, KHAN URGED THAT WE AGREE TO A GENEROUS ALLOCATION OF TITLE III FOOD GRAINS FOR USE IN THE MODIFIED RATIONING PROGRAM. HE MAINTAINED THAT IN TRANSITIONAL PERIOD TO OPEN MARKET SALES (WITH THE ULTIMATE PHASE-DOWN OF MODIFIED RATIONING) WOULD BE A DIFFICULT ONE AND THAT MODIFIED RATIONING ITSELF HELPED CONTROL MARKET PRICES. I GAVE HIM NO HOPE FOR MORE THAN A 25 PERCENT ALLOCATION FOR MR. I DO BELIEVE, HOWEVER, THAT THE BDG HAS A PROBLEM IN HANDLING THIS TRANSITION AND THAT WE SHOULD BE FORTHCOMING. THEY MAY WELL BE RIGHT THAT OTHER DONORS WILL GET ON THE OPEN MARKET SALES BANDWAGON AND LEAVE THE BDG IN TROUBLE WITH MODIFIED LIMITED OFFICIAL USE

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RATIONING BEFORE THE PHASE-DOWN CAN BE CARRIED OUT.

4. THE AID STAFF ADVISES THAT ONCE WE HAVE INSTRUCTIONS IT WILL TAKE FROM TWO TO THREE WEEKS TO COMPLETE NEGOTIATIONS PROVIDING THERE ARE NO MAJOR SURPRISES CONTAINED IN OUR PROPOSAL.

5. IT SEEMS PARTICULARLY IMPORTANT THAT WE MAKE A FAVORABLE DECISION ON OUR TITLE III PROPOSAL AT THE EARLIEST POSSIBLE TIME, TAKING INTO ACCOUNT KHAN'S CONCERNS. THE TIME FOR PUTTING THIS PROPOSAL INTO EFFECT HAS COME AND WE SHOULD APPROVE IT WHILE ENTHUSIASM IS HIGH SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 14 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DACCA03751
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780248-0091
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780662/aaaacbs.tel
Line Count: 107
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c1a6bc89-c288-dd11-92da-001cc4696bcc
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 DACCA 3725
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2363123
Secure: OPEN
Status: NATIVE
Subject: BANGLADESH TITLE III PROGRAM
TAGS: EAID, EAGR, BG, US, (KHAN, L R)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c1a6bc89-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014